

Message Text

LIMITED OFFICIAL USE

PAGE 01 VIENNA 06234 01 OF 02 101614Z
ACTION EB-08

INFO OCT-01 AF-10 ARA-10 EA-10 EUR-12 NEA-10 ISO-00
AID-05 CEA-01 CIAE-00 COME-00 FRB-03 INR-10
NSAE-00 SP-02 STR-07 TRSE-00 LAB-04 SIL-01 OMB-01
GSA-02 INT-05 OIC-02 CTME-00 JUSE-00 IO-13 /117 W
-----074114 101809Z /45

R 101559Z JUL 78

FM AMEMBASSY VIENNA
TO SECSTATE WASHDC 7118
INFO AMEMBASSY BANGKOK
AMEMBASSY BONN
AMEMBASSY BRASILIA
AMEMBASSY BRUSSELS
AMEMBASSY CANBERRA
USMISSION GENEVA
AMEMBASSY LA PAZ
AMEMBASSY LIMA
AMEMBASSY LISBON
AMEMBASSY LONDON
AMEMBASSY MEXICO
AMEMBASSY NEW DELHI
AMEMBASSY MOSCOW
AMEMBASSY OSLO
AMEMBASSY OTTAWA
AMEMBASSY PARIS
AMEMBASSY PRAGUE
AMEMBASSY ROME
AMEMBASSY STOCKHOLM
AMEMBASSY THE HAGUE
AMEMBASSY TOKYO
USMISSION USUN NEW YORK
AMEMBASSY WARSAW

LIMITED OFFICIAL USE SECTION 01 OF 02 VIENNA 06234

LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 02 VIENNA 06234 01 OF 02 101614Z

BRUSSELLS FOR USEC
PARIS FOR OECD

E.O. 11652: N/A
TAGS: EMIN, ILZSG
SUBJECT: EXTRAORDINARY MEETING OF THE INTERNATIONAL LEAD
AND ZINC STUDY GROUP

1. SUMMARY: AT THE REQUEST OF JAPAN AND SEVERAL EUROPEAN ZINC PRODUCING COUNTRIES, THE INTERNATIONAL LEAD AND ZINC STUDY GROUP (ILZSG) MET IN VIENNA JULY 3-6 TO REVIEW THE CONTINUING DEPRESSED STATE OF THE INTERNATIONAL ZINC INDUSTRY AND TO CONSIDER MEASURES TO ALLEVIATE THE INDUSTRY'S CONDITION. THE PRINCIPAL QUESTION UNDER CONSIDERATION WAS AN EC PROPOSAL THAT THE STUDY GROUP RECOMMEND TO GOVERNMENTS THAT THEY URGE THEIR DOMESTIC ZINC PRODUCERS TO REDUCE PRODUCTION. AFTER EXTENSIVE DEBATE, THE EC PROPOSAL WAS REJECTED IN FAVOR OF A STUDY GROUP STATEMENT NOTING THE STUDY GROUP'S HOPE THAT WORLD PRODUCTION WOULD REMAIN AT LEVELS BELOW CONSUMPTION UNTIL EXCESSIVE STOCK LEVELS ARE REDUCED. END SUMMARY.

2. THE APRIL 1978 MEETING OF THE ILZSG STANDING COMMITTEE'S INVITATION TO MEMBER COUNTRIES TO SUBMIT PROPOSALS FOR DEALING WITH THE WORLD ZINC SITUATION SET THE STAGE FOR DELINEATING OPTIONS AVAILABLE TO GROUP AT THIS TIME. AT ONE EXTREME, THE EC SAW THE KEY TO THE PROBLEM AS A NEED TO REDUCE PRODUCTION AND STATED THAT, BASED ON EC GOVERNMENTS' DISCUSSIONS WITH THEIR INDUSTRIES, COMMUNITY PRODUCERS WOULD BE PREPARED TO REDUCE ZINC PRODUCTION IN ORDER TO REDUCE THE BURDEN- SOME LEVEL OF WORLD STOCKS BUT COULD NOT BE EXPECTED TO LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 03 VIENNA 06234 01 OF 02 101614Z

DO SO UNILATERALLY. THE EC NOTED THIS RESULT IS EXPECTED TO BE OBTAINED WITHOUT COMPULSORY MEASURES. IT PROPOSED THAT THE GROUP RECOMMEND TO GOVERNMENTS THAT THEY URGE THEIR INDUSTRIES TO PURSUE A SIMILAR COURSE. INDIVIDUAL EC REPS STRESSED PRIVATELY TO U.S. DEL THE DOUBLE SAFEGUARD IN EC RECOMMENDATION, WHICH WAS CONDITION OF FRG AND NETHERLANDS CONCURRENCE AND WHICH THEY FELT WOULD ALSO BE HELPFUL TO U.S. DEL. OF LATTER TWO EC MEMBERS, FRG HAD RESERVATIONS ON INTERVENING WITH OWN PRODUCERS AND NETHERLANDS UNCERTAIN IT COULD PREVAIL ON ITS HIGHLY AGGRESSIVE ZINC PRODUCERS TO COOPERATE.

3. AT THE OTHER EXTREME, AUSTRALIA AND CANADA VIEWED THE PROBLEM AS A LACK OF DEMAND AND A NEED TO IMPROVE CONSUMPTION THROUGH MARKET DEVELOPMENT. CANADA SAW DIFFICULTIES WITH EC RECOMMENDATION FROM POINT OF VIEW OF CANADIAN PERCEPTION OF THE STUDY GROUP'S ROLE AND THE ROLE OF CANADIAN GOVERNMENT IN RELATION TO ITS PRIVATE SECTOR (THE ISSUE OF FEDERAL-PROVINCIAL GOVERNMENT JURISDICTION REGARDING MINERAL MATTERS APPEARS TO BE THE MOST SENSITIVE ASPECT OF LATTER PROBLEM). AUSTRALIA TOOK A POSITION SIMILAR TO THAT OF CANADA, BUT

NOTED THAT AUSTRALIA'S NATURAL ZINC MARKET IN SOUTHEAST ASIA IS EXPANDING AND THAT THEREFORE AUSTRALIAN PRODUCTION IS INCREASING, ALTHOUGH REMAINING AT LEVELS BELOW THAT OF 1973. BOTH AUSTRALIA AND CANADA PRIVATELY TOOK THE POSITION THAT THEIR PRODUCERS AND PRODUCERS IN THE U.S. AND JAPAN ALREADY HAD VOLUNTARILY REDUCED PRODUCTION IN RESPONSE TO DEPRESSED DEMAND SINCE THE 1975 RECESSION WHEREAS THE EUROPEANS HAD ACTUALLY INCREASED PRODUCTION AND THAT IT WAS UP TO THE EUROPEANS TO NOW TAKE VOLUNTARY ACTION TO REDUCE PRODUCTION.

4. JAPAN, WHICH IN ADVANCE OF MEETING HAD SUGGESTED NEED

LIMITED OFFICIAL USE

NNN

LIMITED OFFICIAL USE

PAGE 01 VIENNA 06234 02 OF 02 101623Z
ACTION EB-08

INFO OCT-01 AF-10 ARA-10 EA-10 EUR-12 NEA-10 ISO-00
AID-05 CEA-01 CIAE-00 COME-00 FRB-03 INR-10
NSAE-00 SP-02 STR-07 TRSE-00 LAB-04 SIL-01 OMB-01
GSA-02 INT-05 OIC-02 CTME-00 JUSE-00 IO-13 /117 W
-----074203 101812Z /45

R 101559Z JUL 78
FM AMEMBASSY VIENNA
TO SECSTATE WASHDC 7119
INFO AMEMBASSY BANGKOK
AMEMBASSY BONN
AMEMBASSY BRASILIA
AMEMBASSY BRUSSELS
AMEMBASSY CANBERRA
USMISSION GENEVA
AMEMBASSY LA PAZ
AMEMBASSY LIMA
AMEMBASSY LISBON
AMEMBASSY LONDON
AMEMBASSY MEXICO
AMEMBASSY NEW DELHI
AMEMBASSY MOSCOW
AMEMBASSY OSLO
AMEMBASSY OTTAWA
AMEMBASSY PARIS
AMEMBASSY PRAGUE
AMEMBASSY ROME
AMEMBASSY STOCKHOLM
AMEMBASSY THE HAGUE
AMEMBASSY TOKYO

USMISSION USUN NEW YORK
AMEMBASSY WARSAW

LIMITED OFFICIAL USE SECTION 02 OF 02 VIENNA 06234

LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 02 VIENNA 06234 02 OF 02 101623Z

TO REDUCE OUTPUT, INCLUDING MINE PRODUCTION, DECLINED TO FOLLOW UP WITH ANY PROPOSAL OTHER THAN THAT GROUP SHOULD UNDERTAKE LONG-TERM FORECAST OF CONSUMPTION. EASTERN EUROPEAN AND LDC PRODUCERS (PERU AND INDIA) EQUIVOCATED ON THE EC PROPOSAL, GIVING IT THEIR GENERAL SUPPORT BUT STATING THAT DUE TO THEIR OWN PARTICULAR CIRCUMSTANCES THEY WOULD NOT BE PREPARED TO REDUCE ZINC PRODUCTION IN THEIR COUNTRIES.

5. IN ACCORDANCE WITH ITS INSTRUCTIONS, THE U.S. DEL TOOK THE POSITION THAT THE STUDY GROUP SHOULD NOT DECIDE ON FORMAL RECOMMENDATIONS TO GOVERNMENTS ON PRODUCTION CUTBACKS UNTIL EACH GOVERNMENT HAD THE OPPORTUNITY TO CAREFULLY REVIEW PROPOSALS FOR SUCH RECOMMENDATIONS. THE U.S. NOTED THE ABSENCE OF DOMESTIC LEGISLATION WHICH WOULD AUTHORIZE THE GOVERNMENT TO DICTATE PRODUCTION POLICIES OF PRIVATE FIRMS AND NOTED THAT, IN ANY CASE, U.S. PRODUCERS HAD REDUCED THEIR PRODUCTION TO ABOUT 65 PERCENT OF CAPACITY DURING THE PAST YEAR AND COULD NOT BE EXPECTED TO MAKE FURTHER CUT-BACKS. FINALLY, THE U.S. POINTED OUT THAT THE INFORMAL TYPE OF PRODUCTION RESTRAINT PROGRAM EXEMPLIFIED BY THE EC PROPOSAL CONCEIVABLY COULD RAISE ANTITRUST QUESTIONS. NOTING THE MILD INDICATIONS OF ZINC INDUSTRY IMPROVEMENT, THE U.S. RECOMMENDED THAT THE STUDY GROUP NOT MAKE FORMAL RECOMMENDATIONS TO GOVERNMENTS AT THIS MEETING, BUT RATHER THAT IT CONTINUE TO MONITOR THE ZINC SITUATION TO DETERMINE IF A TURN-AROUND WOULD OCCUR IN THE MONTHS AHEAD. THE U.S. SUGGESTED THAT THE STUDY GROUP REVIEW THE ZINC SITUATION AT ITS NEXT REGULAR SESSION IN NOVEMBER AND THAT IN THE MEANTIME WE WOULD CONSIDER CAREFULLY ANY CONSTRUCTIVE ACTIONS WHICH OTHER GOVERNMENTS MIGHT TAKE.

LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 03 VIENNA 06234 02 OF 02 101623Z

6. WITH NO REAL SUPPORT FOR THE EC PROPOSAL, THE STUDY GROUP WOUND UP ITS EXTRAORDINARY SESSION WITH AGREED CONCLUSIONS AND A PRESS RELEASE DELICATELY BALANCED

BETWEEN GUARDED OPTIMISM AT SIGNS THAT THE WORLD ZINC MARKET MAY BE BOTTOMING OUT AND CAUTION THAT A RETURN TO BUOYANT MARKET CONDITIONS IS NOT IN PROSPECT UNTIL EXISTING STOCKS ARE WORKED DOWN TO MORE MANAGEABLE PROPORTIONS. TO THIS END THE STUDY GROUP TOOK NOTE OF DESIRABILITY OF PRODUCERS CONTINUING TO EXERCISE CAUTION IN THEIR PRODUCTION POLICIES AND EXPRESSED HOPE THAT, WHERE APPROPRIATE, MEMBER GOVERNMENTS WOULD BRING THE STUDY GROUP'S FINDINGS TO THE ATTENTION OF THEIR RESPECTIVE INDUSTRIES.

7. FURTHER, THE STUDY GROUP EXPRESSED SATISFACTION WITH THE CONTINUED BALANCED STATE OF THE LEAD MARKET. IT ALSO AGREED TO CONDUCT IN-DEPTH STUDIES ON TRENDS IN PRODUCTION AND CONSUMPTION WITH THE AIM OF GAINING A BETTER UNDERSTANDING OF THE NATURE OF THE DISPARATE TRENDS IN ZINC CONSUMPTION IN THE VARIOUS ZINC MARKETS. THE STUDY GROUP DECIDED TO HOLD ITS REGULAR 1978 SESSION IN GENEVA NOVEMBER 27-DECEMBER 1, TO BE PRECEDED BY MEETINGS OF ITS STANDING, STATISTIC AND ECONOMIC COMMITTEES ON NOVEMBER 23-24. WOLF

LIMITED OFFICIAL USE

NNN

Message Attributes

Automatic Decaptoning: X
Capture Date: 01 jan 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: ZINC, MEETINGS, LEAD
Control Number: n/a
Copy: SINGLE
Draft Date: 10 jul 1978
Decapton Date: 01 jan 1960
Decapton Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 20 Mar 2014
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1978VIENNA06234
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Expiration:
Film Number: D780282-0396
Format: TEL
From: VIENNA
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1978/newtext/t19780777/aaaacmzy.tel
Line Count: 244
Litigation Code IDs:
Litigation Codes:
Litigation History:
Locator: TEXT ON-LINE, ON MICROFILM
Message ID: b95b6078-c288-dd11-92da-001cc4696bcc
Office: ACTION EB
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 5
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: n/a
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
Review Date: 05 may 2005
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: N/A
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 2059798
Secure: OPEN
Status: NATIVE
Subject: EXTRAORDINARY MEETING OF THE INTERNATIONAL LEAD AND ZINC STUDY GROUP
TAGS: EMIN, ILZSG
To: STATE
Type: TE
vdkvgwkey: odbc://SAS/SAS.dbo.SAS_Docs/b95b6078-c288-dd11-92da-001cc4696bcc
Review Markings:
Sheryl P. Walter
Declassified/Released
US Department of State
EO Systematic Review
20 Mar 2014
Markings: Sheryl P. Walter Declassified/Released US Department of State EO Systematic Review 20 Mar 2014